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**FISCAL IMPACT STATEMENT**

**LS 7078**

**BILL NUMBER:** HB 1083

**NOTE PREPARED:** Apr 6, 2005

**BILL AMENDED:** Apr 5, 2005

**SUBJECT:** Stadium and Convention Building Authority.

**FIRST AUTHOR:** Rep. Murphy

**FIRST SPONSOR:** Sen. Alting

**BILL STATUS:** 2<sup>nd</sup> Reading - 2<sup>nd</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *Indiana Stadium and Convention Authority:* The bill establishes the Indiana Stadium and Convention Building Authority (SCBA) to acquire, construct, equip, own, lease, and finance facilities for lease to or for the benefit of a Capital Improvement Board. The bill prohibits the SCBA from issuing bonds unless: (1) each contract for the construction of any facility to be financed in whole or in part through the issuance of the bonds requires payment of the common construction wage; and (2) certain requirements with respect to seat licenses, ticket prices, and resale of tickets are met with respect to a football stadium. The bill authorizes the SCBA and the Development Finance Authority to enter into swap agreements.

*Marion County Stadium/Convention Center Taxes:* The bill authorizes the Indianapolis City-County Council to increase the rates of the: (1) County Supplemental Auto Rental Excise Tax; (2) County Innkeeper's Tax; (3) County Food and Beverage Tax; and (4) County Admissions Tax; and provides that the resulting increased revenue is to be distributed to the Marion County Capital Improvement Board for use in paying debt service on certain obligations issued by the SCBA (obligations to finance stadium and convention center facilities in Marion County). The bill also repeals the current law concerning termination of the Marion County Food and Beverage Tax.

*Donut County Food and Beverage Taxes:* The bill also authorizes Boone, Hamilton, Hancock, Hendricks, Johnson, Morgan, and Shelby counties, and certain municipalities located in those counties, to adopt a Food and Beverage Tax to assist in financing stadium facilities in Marion County.

*Professional Sports Team License Plate:* The bill requires the Bureau of Motor Vehicles to design and issue a Professional Sports Teams License Plate.

*Marion County Professional Sports and Convention Development Area (PSCDA):* The bill authorizes the Budget Director to increase the amount of state tax revenue that is annually captured by the Marion County Professional Sports Development Area, and prohibits the expansion of the Marion County Professional Sports Development Area except with respect to the site of a facility to be financed by the SCBA. The bill also prohibits the expansion of a Professional Sports and Convention Development Area in other counties.

**Effective Date:** (Amended) Upon passage; May 15, 2005; July 1, 2005.

**Explanation of State Expenditures:** (Revised) *Stadium and Convention Authority:* The bill creates the Indiana Stadium and Convention Building Authority (SCBA) as a separate body corporate and politic. The SCBA is governed by a board composed of seven members. Serving 3-year terms are two members appointed by the Governor, one member appointed by the President Pro Tempore of the Senate, one member appointed by the Speaker of the House of Representatives, and two members appointed by the Mayor of Indianapolis. One member appointed by the county council of one of the counties contiguous to Marion County serves a term of one year. The SCBA is organized to acquire, finance, construct, and lease land and capital improvements for the benefit of the Marion County Capital Improvement Board (CIB). The bill authorizes the SCBA to issue bonds for these purposes with a maturity of 40 years or less. The bill also authorizes the SCBA to lease land and capital improvements to the CIB for up to 40 years with lease rental payments coming from the following sources: (1) Innkeeper's Tax, Food and Beverage Tax, County Admissions Tax, and Supplemental Auto Rental Excise Tax imposed under provisions of the bill in Marion County; (2) Food and Beverage Tax imposed in Boone, Hamilton, Hancock, Hendricks, Johnson, Morgan, and Shelby counties and designated for lease rental payments under provisions of the bill; (3) state sales and state and local income tax revenue captured in the Marion County Professional Sports and Convention Development Area (PSCDA); (4) net revenues of the capital improvements; and (5) other funds available for the capital improvement. The bill prohibits the SCBA from issuing more than \$500 M in bonds to finance capital improvements in Marion County unless additional tax rates provided under the bill for the taxes listed in (1) above are not increased by the Marion County City-County Council on or before June 30, 2005; or the State Budget Director does not increase the capture limit for the Marion County PSCDA from \$5 M to \$11 M per year on or before July 1, 2005.

*Professional Sports Team License Plate:* The potential expenditures involved with this proposal will depend upon the number of colors used and the number of plates produced. PEN Products (Prison Enterprises Network), the manufacturing and sales arm of prison-made products, charges the Bureau of Motor Vehicles (BMV) and other groups petitioning for the creation of a new license plate(s). These charges consist of:

- (1) \$3.80 per plate (flat plate).
- (2) \$4.50 per multi-colored flat plate.
- (3) \$450 one-time set-up. This includes plate set-up by PEN graphic designer.
- (4) PEN Products can prepare, but it is not required, camera artwork for the newly created plate at an hourly rate of \$45.

The funds affected are the PEN Products Revolving Fund and the Motor Vehicle Highway Account, which supports the BMV.

**Explanation of State Revenues:** (Revised) *Professional Sports Team License Plate:* The proposal provides that the Bureau of Motor Vehicles determines by rule a fee for the Professional Sports Team License Plates. The fee revenue is to be deposited in the Capital Projects Trust Fund. This Fund is nonreverting. The Fund is to be administered by the State Budget Director. Expenses of administering the Fund are to be paid from the

Fund. On June 30<sup>th</sup> of every year after June 30, 2006, or any other date designated by the State Budget Director, an amount designated by the State Budget Director shall be transferred from the Fund to the GF or any fund established to pay bonds issued by the Indiana Stadium and Convention Building Authority for stadium and convention center facilities in Marion County.

While the potential revenue from the sales of the newly created license plates is not known, in CY 2003, revenue from the sale of special recognition license plates fell within a range of \$5,475 for the sale of 219 Mental Health Trust plates to \$1,712,200 for the sale of 68,488 Heritage Trust license plates. Revenue from the sales of the license plates are to be deposited into the Capital Projects Trust Fund. The bill also provides for a \$20 supplemental fee.

*Marion County Professional Sports and Convention Development Area (PSCDA):* The bill will reduce individual AGI Tax and Sales and Use Tax collections to the state by at least \$7.0 M per year beginning in FY 2008. This total could potentially grow by 4% to 5% annually until it reaches the new capture limit set by the bill. The current capture limit is \$5 M annually. This would be increased to \$16 M under the bill. Individual AGI Tax and Sales and Use Tax collections in the Marion County PSCDA exceeded the current \$5 M capture limit by \$3.89 M in FY 2002, \$4.2 M in FY 2003, and \$5.5 M in FY 2004. Assuming currently forecast growth rates for income, it is estimated that income tax collections in the PSCDA will be sufficient for Marion County to capture an additional \$7 M beginning in FY 2008.

#### **Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Revised) *Summary:* The total estimated revenue impact of the bill to Marion County (in millions of dollars) for use in financing stadium and convention center facilities is summarized in the table below.

Source	FY 2006	FY 2007	FY 2008	FY 2009
<b>State Transfers:</b>				
Special License Plate	Indeterminable	Indeterminable	Indeterminable	Indeterminable
Professional Sports & Convention Dev. Area	0	0	7.0	7.0
<b>Marion County Taxes:</b>				
Food and Beverage Tax	18.2	19.1	20.0	21.0
Supplemental Auto Rental Excise Tax	1.8	1.8	1.8	1.8
Innkeeper's Tax	9.9	9.9	9.9	9.9
Existing County Admissions Tax	1.0	1.0	1.0	1.0
Additional County Admissions Tax	5.8	5.8	3.9	3.9
<b>Donut County Taxes:</b>				
Food and Beverage Tax	3.9	4.1	4.3	4.5
<b>Total</b>	<b>40.6</b>	<b>41.7</b>	<b>47.9</b>	<b>49.1</b>

*Marion County Stadium/Convention Center Taxes:* The taxes for stadium and convention center facilities to be imposed in Marion County are described below.

Food and Beverage Tax: Marion County would have the option to adopt an additional 1% food and beverage tax under the bill. If Marion County were to adopt the additional rate, the county would have to do so by June 30, 2005. The tax would be effective on transactions occurring after June 30, 2005. An additional 1% food and beverage tax would bring an estimated \$18.2 M in additional revenue in FY 2006 and \$19.1 M in FY 2007, with annual growth estimated at about 4.9%. Marion County currently imposes a 1% food and beverage tax with revenue of \$16.6 M in FY 2004. Under the bill, both the proposed increase and the existing 1% food and beverage tax would end January 1, 2041.

Supplemental Auto Rental Excise Tax: The bill increases the maximum tax rate in Marion County from 2% to 4%, provided the rate is increased before July 1, 2005. The bill provides for this maximum through December 31, 2040. Currently, the tax is imposed at a rate of 2%. The tax is imposed on the gross retail income received from the rental of an automobile or truck weighing less than 11,000 pounds for a period of less than 30 days in Marion County. Revenue from the tax is distributed to the Marion County Capital Improvement Board (CIB). The 2% tax generated about \$1.83 M in FY 2004 and has generated an average of about \$1.86 M annually since FY 2001.

Innkeeper's Tax: The bill increases the maximum tax rate in Marion County from 6% to 9%, provided the rate is increased before July 1, 2005. The increase to 9% would be allowed until January 1, 2028, with the total rate limited to 8% after December 31, 2027. The bill provides for this maximum through December 31, 2040. After that, the rate will decrease to 5%. The tax is imposed on gross income from lodging income. Revenue from the tax is distributed to the Marion County CIB. The 6% tax generated about \$19.7 M in FY 2004 and has generated an average of about \$19.2 M annually since FY 2001.

County Admissions Tax: The bill provides for an increase in the existing County Admissions Tax and provides for additional admissions taxes of \$3 and \$1 per admission for certain events. The bill increases the maximum tax rate in Marion County for the existing County Admissions Tax from 5% to 6%, provided the rate is increased before July 1, 2005. The tax is currently imposed on the price of admission to any event held in the RCA Dome, the Convention Center, Victory Field, or Conseco Fieldhouse. Revenue from the tax is distributed to the Marion County CIB. The 5% tax generated about \$5.04 M in FY 2004 and has generated an average of about \$4.57 M annually since FY 2001.

In addition, the bill provides for an additional \$3 admission tax for admission to a professional sporting event, and \$1 for admission to other events, held in a facility financed by the Marion County CIB or the Marion County Convention and Recreational Facilities Authority. This tax would apply to professional sporting events at the RCA Dome, Conseco Fieldhouse, and Victory Field. However, since the new stadium would be financed by the Indiana Sports and Convention Building Authority, the additional taxes would not apply to events at the new stadium. It is estimated that professional sports events at the applicable facilities could generate approximately 1.9 M taxable admissions in FY 2006 and FY 2007. Assuming the new stadium would open in the fall of 2008, this total would drop to about 1.3 M in FY 2008. Attendance at events other than professional sports events is currently indeterminable.

*Marion County Professional Sports and Convention Development Area (PSCDA):* The bill allows the State Budget Director to increase the state income and sales tax capture limit in the Marion County PSCDA from \$5 M annually to \$16 M annually from July 1, 2007, to December 31, 2027. The capture limit would be \$11

M from January 1, 2028, to December 31, 2040. The additional \$11 M annually would be utilized for the stadium and convention center projects financed by the Indiana Stadium and Convention Building Authority (SCBA). Also, the bill prohibits any boundary changes in the Marion County PSCDA after May 14, 2005, unless the change is to include the projects financed by the SCBA.

Individual AGI Tax and Sales and Use Tax collections in the Marion County PSCDA exceeded the \$5 M capture limit by \$3.89 M in FY 2002, \$4.2 M in FY 2003, and \$5.5 M in FY 2004. Assuming currently forecast growth rates for income (4% to 5% annually), it is estimated that income tax collections in the PSCDA will be sufficient for Marion County to capture an additional \$7 M beginning in FY 2008. To the extent that the new facilities added to the PSCDA generate more income and sales tax collections, these amounts could potentially increase. Currently, the Marion County PSCDA includes Conseco Fieldhouse, the Indiana Convention Center, the RCA Dome, Victory Field, and the Colts' practice facility. These captured state and local tax collections are utilized for debt payments relating to Conseco Fieldhouse.

*Donut County Food and Beverage Taxes:* The bill would allow the fiscal bodies of Boone, Hamilton, Hancock, Hendricks, Johnson, Morgan, and Shelby Counties, and the political subdivisions of Avon, Carmel, Fishers, Franklin, Greenfield, Greenwood, Lebanon, Martinsville, Noblesville, and Westfield the option to adopt an ordinance to impose a 1% food and beverage tax. The above listed political subdivisions would be able to adopt the tax only if their parent county were to adopt the tax. In addition, if Marion County failed to adopt an additional 1% food and beverage tax by June 30, 2005, none of the above-listed counties or towns would have authorization to adopt a tax under the provisions of the bill.

Counties from the above list that adopt the food and beverage tax at 1% would receive 50% of the revenue generated from adoption of the tax. The remaining 50% of the tax revenue would go to the Marion County Capital Improvement Board for stadium and convention center projects. Under the bill, a county would have to adopt the tax by July 31, 2005.

If the above-listed political subdivisions were to adopt the 1% food and beverage tax, all revenue generated by the tax would be received by the political subdivision's fiscal officer. Under the bill, a political subdivision would have to adopt the tax by September 30, 2005. A food and beverage tax adopted by a subdivision would be assessed in addition to a food and beverage tax adopted in the subdivision's parent county.

If all counties listed above (excluding Marion) were to adopt the 1% food and beverage tax, the total food and beverage taxes in those counties would generate an estimated \$7.9 M in FY 2006 and \$8.2 M in FY 2007 (complete FY estimates), with growth estimated at about 4.9% annually. Under the bill, 50% of the revenue (approximately \$3.9 M in FY 2006 and \$4.1 M in FY 2007) would be used for stadium and convention center projects in Marion County.

<b>Food and Beverage Tax Estimates at 1% (Counties Surrounding Marion County).</b>				
<b>County</b>	<b>FY 2006</b>		<b>FY 2007</b>	
	<b>Total</b>	<b>50%</b>	<b>Total</b>	<b>50%</b>
<b>Boone</b>	518,201	259,101	543,593	271,797
<b>Hamilton</b>	2,485,706	1,242,853	2,607,506	1,303,753
<b>Hancock</b>	647,369	323,684	679,090	339,545
<b>Hendricks</b>	1,257,239	628,619	1,318,844	659,422
<b>Johnson</b>	1,900,835	950,418	1,993,976	996,988
<b>Morgan</b>	627,540	313,770	658,289	329,145
<b>Shelby</b>	426,079	213,040	446,957	223,478
<b>Total</b>	7,862,969	3,931,485	8,248,255	4,124,128

Additionally, no more than \$5 M of the total revenue received by these counties from the proposed food and beverage taxes would be earmarked for the proposed Colts' stadium and convention center expansion in a given state fiscal year. The \$5 M cap would likely be reached within several years assuming the food and beverage tax collections of the counties were to exhibit annual growth. Any remainder of counties' food and beverage revenue after the first \$5 M would be directed to the county fiscal officer for use on specified county projects. When all obligations for the stadium and convention center are paid, all revenue generated by the food and beverage taxes would be received by the adopting counties.

Food and beverage tax revenue received, under the bill, that was not deposited with the Marion County Capital Improvement Board of Managers and all revenue generated by a political subdivision food and beverage tax would be used for either:

- (1) Reduction of the county's or subdivision's property tax levy in a given year, or
- (2) Sanitary sewers or wastewater treatment facilities, park/recreational facilities, drainage/flood control facilities, drinking water treatment, storage or distribution facilities, or roads and streets.

**State Agencies Affected:** Department of State Revenue; Bureau of Motor Vehicles; Treasurer of State.

**Local Agencies Affected:** Marion County; Marion County Metropolitan Development Commission; Marion County Capital Improvement Board; Boone, Hamilton, Hancock, Hendricks, Johnson, Morgan, and Shelby Counties; Avon, Carmel, Fishers, Franklin, Greenfield, Greenwood, Lebanon, Martinsville, Noblesville, and Westfield.

**Information Sources:** Sources available upon request.

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